

Message Text

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PAGE 01 LIMA 05042 232311Z

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USDOC FOR MAJOR PROJECTS DIVISION

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SUBJECT: CHIMBOTE STEEL EXPANSION

REF: STATE 139159

1. RUDD GUTTSALL, VICE PRESIDENT OF U.S. STEEL ENGINEERS AND CONSULTANTS (UEC), ACCOMPANIED BY ROBERT WATTERSON, MANAGER FOR STEEL SALES, E.W. BLISS AND COMPANY, VISITED OIMA JUNE 19-20. THIS VISIT DEVELOPED AS THE RESULT OF DISCUSSIONS HELD BETWEEN GOP OFFICIALS AND THE COMMERCE DEPARTMENT MAJOR EXPORT PROJECTS DIVISION REPRESENTATIVE AT THE RECENT IBRD CONSULTATIVE GROUP MEETING IN PARIS AND THE DISCUSSIONS HELD BY OUR COMMERCIAL ATTACHE RECENTLY IN WASHINGTON UNDER THE NEW COMMERCIAL CONSULTATION PROGRAM. THE VISIT REPRESENTED THE FIRST CONTACT BETWEEN A U.S. FIRM AND THE GOP ON THE \$1 BILLION PLUS CHIMBOTE STEEL PROJECT EXPANSION.

2. GUTTSALL AND WATTERSON, ACCOMPANIED BY THE ACTING COMMERCIAL ATTACHE, HELD TWO MEETINGS WITH THE PRESIDENT OF SIDERPERU (THE GOP ENTITY RESPONSIBLE FOR STEEL PRODUCTION), AND MEETINGS WITH THE VICE MINISTER OF INDUSTRY AND TOURISM (ACCOMPANIED BY THE ECONOMIC/COMMERCIAL COUNSELOR), THE MANAGER FOR INTERNATIONAL FINANCIAL AF-

UNCLASSIFIED

PAGE 02 LIMA 05042 232311Z

FAIRS OF COFIDE (THE GOP FINANCIAL DEVELOPMENT ENTITY), AND

A UNIDO-SPONSORED ADVISOR TO THE MINISTRY OF INDUSTRY AND TOURISM.

3. BOTH GUTTSHALL'S FIRST AND LAST APPOINTMENTS WERE HELD WITH COMANDANTE EDUARDO BARRAGAN, PRESIDENT OF SIDERPERU. BARRAGAN EXPLAINED SIDERPERU'S PLANS TO EXPAND CHIMBOTE, DISCUSSED SOME OF THE PROBLEMS THUS FAR ENCOUNTERED, AND OFFERED SOME OF HIS THOUGHTS AS TO HOW SUDERPERU MIGHT PROCEED TO CARRY OUT THE EXPANSION. GUTTSHALL EXPLAINED THE POSSIBLE ROLE WHICH UEC COULD PALY IN THE EXPANSION PLANS. HE SUGGESTED THAT UEC SEND TO SIDERPERU SAMPLES OF CONTRACTS WHICH THEY HAVE SIGNED IN OTHER COUNTRIES FOR SIMILAR PROJECTS, AND COPIES OF PROJECT TIMETABLES USED BY UEC IN OTHER COUNTRIES. EVENTUALLY UEC WOULD ALSO SEND SEVERAL TECHNICIANS TO CHIMBOTE TO SURVEY THE CURRENT SITUATION AND PROVIDE SIDERPERU SOME IMMEDIATE TECHNICAL ASSISTANCE. GUTTSHALL ALSO LEFT COPIES OF UEC'S QUALIFICATION STATEMENT WITH BARRAGAN.

4. GUTTSHALL CALLED ON GUILLERMO VAN OORDT, THE VICE MINISTER OF INDUSTRY AND TOURISM. GUTTSHALL AGAIN EXPANINED UEC'S POSSIBLE INTEREST IN THE CHIMBOTE EXPANSION. VAN OORDT DISCUSSED A NUMBER OF PROBLEMS WHICH THE GOP HAD HAD WITH STEEL PRODUCTION AND THE GOP'S GOALS REGARDING THE CHIMBOTE EXPANSION. THEY ALSO DISCUSSED THE WORLD STEEL ECONOMY AS WELL AS SOME OF THE BASIC ASSUMPTIONS WICH MUST BE MADE IN DICIDING TO CONSTRUCT AND DESIGN A LARGE STEEL PLANT.

5. GUTTSHALL MET WITH JAIME ARAOZ, THE MANAGER FOR INTERNATIONAL FINANCIAL AFFAIRS AT COFIDE. ARAOZ EXPLAINED THAT THE GOP GENERALLY SEEKS A "PACKAGE" FROM THOSE BIDDING ON A GIVEN PROJECT. THIS "PACKAGE" WOULD INCLUDE OFFERS FOR THE TECHNICAL, COMMERCIAL, AND FINANCIAL ASPECTS OF THE PROJECT. HE DISCUSSED COFIDE'S PRELIMINARY THINKING REGARDING THE FINANCIAL PART OF THE "PACKAGE" FOR CHIMBOTE. GUTTSHALL DESCRIBED THE POSSIBLE ROLE WHICH UEC COULD PLAY IN THE DEVELOPMENT OF SUCH A PACKAGE, CITING THE EXPERIENCE UEC HAS HAD IN OTHER COUNTRIES IN HELPING THEIR CLIENTS DEVELOP FINANC-

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LIMA 05042 232311Z

ING THROUGH U.S. COMMERCIAL BANKS, THE U.S. EXIMBANK, AND THE WORLD BANK.

6. GUTTSHALL ALSO MET WITH SIR MAURICE FIENNES, EX-CHAIRMAN OF THE BOARD OF THE BRITISH FIRM DAVEY-ASHWORTH, AND CURRENTLY A UNIDO-SPONSORED ADVISOR (ON STEEL MATTERS) TO THE MINISTRY OF INDUSTRY AND TOURISM. SIR MAURICE DISCUSSED THE HISTORY OF THE CHIMBOTE STEEL MILL, THE

EFFICIENCY OF THE PLANT, THE GOP'S PLANS REGARDING THE EXPANSION OF ITS STEEL-PRODUCING CAPABILITY, AND OFFERED AN ANALYSIS OF BOTH THE PALNNED CHIMBOTE PROJECT AND THE OVERALL GOP STEEL PRODUCTION STRATEGY.

7. COMMENT

WE BELIEVE THIS VISIT PROVIDED UEC WITH AN EXCELLENT OPPORTUNITY TO SURVEY THE POSSIBILITIES OF PARTICIPATING IN THE CHIMBOTE STEEL MILL EXPANSION AT A VERY EARLY STAGE. IT IS OBVIOUS TO US THAT THE GOP IS STILL FLOUNDERING, AND THAT THEUEC COULD PERFORM A USEFUL ADVISORY AND MANAGEMENT ROLE. GUTTSHALL MADE A GOOD IMPRESSION ON THOSE OFFICIALS WITH WOM HE MET. THE EMBASSY GREATLY APPRECIATES THE TIME AND EFFORT THE MAJOR EXPORT PROJECTS DIVISION HAS DEVOTED TO THIS PROJECT. THE EMBASSY WILL FOLLOW UP ON GUTTSHALL'S VISIT IN THE COMING WEEKS WITH ADDITIONAL MEETINGS WITH SIDER-PERU, THE MINISTRY OF INDUSTRY AND TOURISM, THE MINISTRY OF ECONOMY AND FINANCE, AND COFIDE.
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